

## PAY RATE/SERVICE CREDIT TABLE OF CONTENTS

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## REPORTABLE/NON-REPORTABLE COMPENSATION

### **CalPERS Compensation**

Pay rate and special compensation must be in written pay schedules, memorandums of understanding, bargaining agreements or similar documents that shall be available for public scrutiny. Guidelines defining compensation, compensation earnable, payrate and special compensation are listed in the [California Public Employees' Retirement Law \(PERL\)](#) in Government Code Section (GCS) 20630 and 20636.

### **Compensation**

Compensation is broadly defined as payment to employees for services performed during normal working hours or for time during which the employee is excused from work because of holidays, sick leave, industrial disability leave (payments under Labor Code Section 4800 and 4850), vacation, compensatory time off, or leave of absence. The employer shall identify and report compensation for the pay period in which the compensation was "earned" regardless of when paid, and shall not exceed compensation earnable.

### **Compensation Earnable GCS 20636 (g) (1)**

Compensation earnable for state members means the average monthly compensation, as determined by the board, upon the basis of the average time put in by members in the same group or class of employment and at the same rate of pay, and is composed of the payrate and special compensation of the member.

### **Pay Rate GCS 20636 (g) (2)**

Payrate for state members means the average monthly remuneration paid in cash out of funds paid by the employer to similarly situated members of the same group or class of employment, in payment for the member's services or for time during which the member is excused from work because of holidays, sick leave, vacation, compensating time off, or leave of absence.

### **Special Compensation GCS 20632, 20636 (g) (3) & (6)**

GCS 20632, & 20636 (g) (3) & (6) provide definitions of both reportable and non-reportable special compensation. Contact the [Department of Personnel Administration](#), (DPA) for questions regarding items, which are reportable as special compensation.

### **Payrate and Special Compensation GCS 20636 (g) (4) & (5)**

GCS 20636 (g) (4) & (5) provide definitions of both reportable and non-reportable compensation for payrate and special compensation. Contact [DPA](#) for any questions you have regarding reportable and/or non-reportable compensation.

## PAY RATE/EARNINGS RELATIONSHIP

Pay rate indicates that amount of compensation a member is paid for a unit of time (i.e., hour, day or month). The pay rate should remain stable throughout a fiscal year except for pay raises, changes of position, etc. If a member works in more than one position, has a raise in the middle of a pay period, or has a variable pay rate, report amounts earned under each pay rate separately.

An **hourly** pay rate is that rate of compensation to which an employee is entitled under an employment agreement which provides for compensation for each hour of regular time worked by the employee.

A **daily** pay rate for both a full-time and a part-time employee is that amount of compensation to which a full-time employee is entitled when the employee's services are performed under an employment agreement which provides for a daily rate of compensation.

A **monthly** pay rate for both a full-time and a part-time employee is that amount of

compensation to which a full-time employee is entitled, when the employee's services are performed under an employment agreement which provides for a monthly rate of compensation.

### IMPACT ON FINAL BENEFITS

Reporting correct pay rates for your active members is essential in calculating correct member benefits at retirement. The three critical elements used in calculating retirement benefits are:

- 1) service credit
- 2) final compensation
- 3) age at retirement

Service credit and final compensation are directly related to the pay rate and earnings reported for the member.

Service credit is derived from the pay rate and earnings reported. It is based on the way a member is paid.

#### EARNINGS DIVIDED BY PAY RATE EQUALS SERVICE CREDIT

<b>Example:</b>	1.	<u>Member Earnings</u>	=	<u>\$1,200.00</u>	=	1.000 month of service credit
		<b>Monthly Pay Rate</b>		\$1,200.000		
	2.	<u>Member Earnings</u>	=	<u>\$ 600.00</u>	=	.500 month of service credit
		<b>Monthly Pay Rate</b>		\$1,200.000		
	3.	<u>Member Earnings</u>	=	<u>\$ 600.00</u>	=	80 hours of service credit
		<b>Hourly Pay Rate</b>		\$ 7.500		
	4.	<u>Member Earnings</u>	=	<u>\$ 600.00</u>	=	20 days of service credit
		<b>Daily Pay Rate</b>		\$ 30.000		

A member in full-time employment will be credited with one year of service for any of the following:

- a. 10 months for those paid on a monthly basis;
- b. 215 days for those paid on a daily basis; or

- c. 1,720 hours for those paid on an hourly basis.

Partial credit will be given for those working less than the full amount of a, b, or c above. Service credited in hours, days or months is converted to a percentage of a year at the end of each fiscal year. Service credit for each fiscal year is combined to arrive at total service credit.

## PAY RATE/EARNINGS RELATIONSHIP

**Final compensation** is the average monthly full-time **pay rate** reported for the 12 consecutive months of employment immediately preceding the last day on the payroll, unless the member designates another 12 consecutive month period in which the pay rate was higher.

NOTE: Always use the full-time pay rate. The pay rate should not change except when a pay raise or demotion occurs.

### FULL-TIME SERVICE CREDIT

As one of the major factors used in the retirement calculation, service credit is checked carefully for each payroll entry. CalPERS limits the amount of service credit for each entry to full-time. If you report excess service credit on a payroll entry, CalPERS will send a service credit discrepancy notice. The following table provides the maximum full-time service credit for each type of pay rate (monthly, hourly, daily) and each reporting frequency (monthly, semi-monthly, bi-weekly, and quadri-weekly).

### MAXIMUM SERVICE CREDIT AMOUNT

Monthly Pay Rate*	Hourly Pay Rate*	Daily Pay Rate*	REPORTING FREQUENCY
1.000 month	160 to 184 hours**	20 to 23 days**	MONTHLY (12 pay periods per year)
.500 month	80 to 96 hours**	19 to 12 days**	SEMI MONTHLY (24 pay periods per year)
.462 month	80 hours	10 days	BI-WEEKLY (26 pay periods per year)
.923 month	160 hours	20 days	QUADRI-WEEKLY (13 pay periods per year)

\* Pay Rate *should not* fluctuate, unless the member receives a pay raise or is demoted.

\*\* Since monthly and semi-monthly service periods vary, the maximum hours and days will fluctuate. The hours and days shown here represent the highest amounts which could ever be reported for the frequency.